

The standard method of reporting receipts from sales is to report on a gross receipts basis, that is to report when payments are actually received. If, however, the seller prefers to file and pay ROT liability on a gross sales basis, or accrual method, because it more properly reflects its method of accounting for sales, the seller may declare its intention to change reporting methods to the Illinois Department of Revenue. See 86 Ill. Adm. Code 130.401(a) (This is a GIL.)

February 22, 2001

Dear Xxxxx:

This is in response to your letter dated December 27, 2000. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200. 120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter you have stated and made inquiry as follows:

On behalf of the subject taxpayer, we respectfully request a change in accounting method for the remittance of Rot proceeds. The taxpayer is a monthly which reports their receipt on an accrual method. The taxpayer would request a change in the monthly Rot remittance based on the cash method of reporting.

The reason for the request is that the cash receipts method more accurately follows the taxpayers revenue stream and allows for accurate remittance of Rot billed but not collected on delinquent accounts.

The taxpayer would request this change effective January 1, 2001 if possible.

If you have any questions or if we can be of further assistance, please don't hesitate to contact us.

A seller's Retailers' Occupation Tax ("ROT") liability is measured by the seller's gross receipts from the sale of tangible personal property. Gross receipts means the consideration actually received by the seller. See 86 Ill. Adm. Code Section 130.401, enclosed for your reference. When filing returns and remitting ROT liability, the preferred method of reporting receipts from sales is to report on a gross receipts basis, that is to report when payments are actually received. If, however, the seller prefers to file and pay ROT liability on a gross sales basis, or accrual method, because it more properly reflects its method of accounting for sales, the seller may declare its intention to change reporting methods to the Illinois Department of Revenue.

COMPANY may change its reporting method from a gross sales basis (accrual method) to a gross receipts basis (cash method) by notifying the Department in writing of its intention to change its reporting method. The company shall do this by sending the notification to the attention of Brenda Towers, Assistant Manager, Sales Tax Processing Division 101 West Jefferson, Springfield, Illinois 62702.

When a seller changes its method of reporting, a “wash-out” procedure should be used to minimize any reporting problems in subsequent months where receipts on account are received. The “wash-out” procedure used when a reporting change is made from gross sales basis to gross receipts basis involves calculating the unpaid taxable accounts receivable on the books as of the end of the last business day prior to the first month of the changed reporting method. The seller then considers all subsequent taxable receipts on account to be receipts on which tax has already been paid (as if on the gross sales basis) until those receipts equal the total of the unpaid taxable accounts receivables calculated on the last business day prior to the change of reporting method. At that point, all subsequent receipts, including those from sales made prior to the change in reporting method, should be reported as taxable receipts. See Section 130.401(a) EXAMPLE.

I hope this information has been helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department’s Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Sincerely,

Dana Deen Kinion
Associate Counsel

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